

EXAMINATION REPORT
OF
BLUE RIDGE INDEMNITY COMPANY
AS OF
DECEMBER 31, 2021

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
BLUE RIDGE INDEMNITY COMPANY
AS OF
DECEMBER 31, 2021

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 28th day of June, 2023

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May 26, 2023

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street, Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 22.022, dated January 11, 2022, an examination has been made of the affairs, financial condition and management of

BLUE RIDGE INDEMNITY COMPANY

hereinafter referred to as the Company. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 3411 Silverside Road, Wilmington, Delaware 19810. The administrative office of the Company is located at 10751 Deerwood Park Blvd., Suite 200, Jacksonville, Florida 32256.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The last examination was conducted as of December 31, 2017, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2018 through December 31, 2021. Our examination was performed as a coordinated examination of the Company and several of its affiliates. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Deloitte & Touche LLP (Deloitte). Certain auditor work papers of the 2021 audit of the Company have been incorporated into the work papers of the

examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in the Company's financial statements as a result of this examination.

COMPANY HISTORY

General

The Company was acquired by LOTS Intermediate Company Co. (LOTS Intermediate), a subsidiary of the Fortegra Financial Corporation (Fortegra Financial), on April 1, 2017. The Company was previously owned by General Casualty Company of Wisconsin, which was an indirect wholly owned subsidiary of the QBE Insurance Group Limited. The Company was re-domiciled from the State of Wisconsin to the State of Delaware on June 1, 2018.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 500,000 shares of common stock with a \$5.00 par value per share. As of December 31, 2021, the Company had 500,000 shares of common stock issued and outstanding totaling \$2,500,000. All common shares of the Company are owned by LOTS Intermediate. As of December 31, 2021, the Company reported gross paid in and contributed surplus of \$12,302,394.

Dividends

The Company's Board of Directors (Board) did not approve or authorize any dividends during the exam period.

Surplus Notes

On June 1, 2018, the Company entered into a Loan Agreement with LOTS Intermediate. In accordance with the Loan Agreement, the Company may issue surplus notes to LOTS Intermediate in an aggregate amount not to exceed \$12,000,000. As of December 31, 2021, the Company had outstanding principal balances on one surplus note totaling \$9,000,000. The surplus note is evidenced by 9% interest bearing note with a thirty-year maturity.

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the business and affairs of the Company must be managed by or under the direction of its Board. The number of Directors shall be fixed from time to time by resolution of the shareholder. As of December 31, 2021, the Board consisted of four members, and none were considered independent. Each Director is elected annually by the stockholder and holds office until the next annual election and until their successors are elected and qualified except as removed for cause and the successor elected by a special meeting of the stockholder. Directors duly elected and serving as of December 31, 2021, are as follows:

<u>Name</u>	<u>Principal Occupation</u>
Richard Stephen Kaulbaugh	Chairman, President and Chief Executive Officer The Fortegra Group, LLC
Michael Fitzgerald Grasher	Executive Vice President and Chief Financial Officer The Fortegra Group, LLC
Michael Vrban	Senior Vice President Insurance Accounting Operations and Treasurer The Fortegra Group, LLC
Janie Walker Hartley	Senior Vice President Premium Operations The Fortegra Group, LLC

Officers

Officers were elected in accordance with the Company's bylaws during the period under examination. The bylaws require election of a President, a Secretary and a Treasurer. The Board may designate one elected officer as the Chief Executive Officer of the Company. All elected officers hold office for a term of one year and shall hold office until a successor has been duly elected and qualified or until death, resignation or removal. The Board or the Chief Executive Officer may appoint and terminate other officers at their discretion. Any two or more offices may be held by the same person. As of December 31, 2021, the Company's principal officers, together with their respective titles, were as follows:

<u>Name</u>	<u>Title</u>
Richard Stephen Kahlbaugh	Chairman, President and Chief Executive Officer
Christopher David Romaine	Executive Vice President, General Counsel and Secretary
Michael Vrban	Senior Vice President Insurance Accounting Operations and Treasurer

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* § 4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in 18 *Del. C.* § 5001 (7) of the Delaware Insurance Code. From 2014 to 2021, Tiptree, Inc. (Tiptree) was the sole owner of The Fortegra Group, LLC (Fortegra Group). Tiptree is a publicly traded holding

company that combines investment management expertise with United States and international property/casualty and life/health insurance operations. In 2022, Tiptree sold approximately 24% of the Fortegra Group to Warburg Pincus as a strategic initiative and capital raise. Warburg Pincus owns its investment in Fortegra Group through WP Falcon Aggregator, L.P.

An abbreviated presentation of the holding company system as of December 31, 2021, is as follows (ownership of subsidiaries is 100% unless otherwise noted):

<u>Company</u>	<u>Domicile</u>
Tiptree Inc. ¹	Maryland
Tiptree Holdings, LLC ²	Delaware
The Fortegra Group, LLC ^{3,4}	Delaware
Fortegra Financial Corporation ⁵	Delaware
LOTS Intermediate Co. ⁶	Delaware
LOTSolutions, Inc. ⁷	Georgia
LOTSolutions Florida LLC	Florida
Fortegra Indemnity Insurance Company, Ltd. ⁸	Turks & Caicos
Life of the South Insurance Company ⁹	Georgia
Bankers Life Insurance Company of Louisiana ⁹	Louisiana
Southern Financial Life Insurance Company ⁹	Kentucky
Response Indemnity Company of California ¹⁰ (RICC)	California
Fortegra Specialty Insurance Company ¹⁰ (FSIC)	Arizona
Insurance Company of the South ^{10, 11} (ICOTS)	Georgia
Lyndon Southern Insurance Company ¹⁰ (LSIC)	Delaware
Blue Ridge Indemnity Company¹⁰ (BRIC)	Delaware
Fortegra Europe Holdings Ltd.	Malta
Fortegra Europe Insurance Company, Ltd. ¹²	Malta
Fortegra Europe Limited ¹³	United Kingdom
Fortegra Warranty Holdings, LLC ¹⁴	Delaware
Tiptree Asset Management Company	Delaware
Tiptree Loan Management LLC	Delaware
Corvid Peak Holdings GP, LLC ¹⁵	Delaware
Corvid Peak Holdings, L.P.	Delaware
Corvid Peak Capital Management, LLC ¹⁶	Delaware

¹Michael G. Barnes beneficially owns 27.48% of Tiptree Inc. common stock.

²Tiptree Holdings, LLC was formerly known as Carolina Holdings, LLC.

³The Fortegra Group, LLC was renamed Fortegra Group, Inc. during 2022.

⁴The Fortegra Group, LLC was owned by wholly owned by Tiptree Inc. until 2022 when approximately 24% was sold to Warburg Pincus. As of December 31, 2022, 73.1%, 24.1% and 2.8% of the Fortegra Group, Inc. was owned by Tiptree Holdings LLC, WP Falco Aggregator, L.P. and management of The Fortegra Group, Inc., respectively.

⁵Fortegra Financial Corporation was formerly known as Life of the South Corporation prior to 2009.

⁶LOTS Intermediate Co. is 96.8% owned by Fortegra Financial Corporation.

⁷LOTSolutions, Inc. provides all personnel, office and equipment to the Fortegra Group under an administrative services agreement.

⁸Fortegra Indemnity Insurance Company, Ltd. was formerly known as LOTS Reassurance Company. The Company and its affiliates cede risk to Fortegra Indemnity Insurance Company, Ltd.

⁹Entity is designated as a member of the Life Sub-group of the Tiptree Financial Group whereby the Georgia Office of Insurance and Safety Fire Commissioner is the designated Examination Facilitator. Entity was not included in the scope of this examination.

¹⁰Entity participates in an affiliated pooling agreement and files a combined NAIC Annual Statement. Entity was included in the coordinated examination of the Tiptree Financial Group and the P&C Sub-Group whereby the Delaware Department of Insurance was the NAIC designated Lead State and the Examination Facilitator.

¹¹Insurance Company of the South is 70% owned by LOTS Intermediate Co. and 30% owned by Life of the South Insurance Company.

¹²Fortegra Europe Insurance Company, Ltd. is party to an affiliated reinsurance agreement with the Company whereby the Company assumes business from Fortegra Europe Insurance Company, Ltd.

¹³Fortegra Europe Limited owns the majority of two immediate companies Ingenasys Ltd. and Defend Assist Ltd. Ingenasys Ltd. owns several Europe domiciled insurance companies.

¹⁴Fortegra Warranty Holdings, LLC (Fortegra Warranty) is formerly known as Tiptree Warranty Holdings, LLC. The entity owns multiple subsidiaries consisting of a warranty and related services business and a Turks and Caicos-based captive reinsurer. Fortegra Group acquired the majority of the entities under Fortegra Warranty in 2020.

¹⁵Corvid Peak Holdings GP, LLC and its subsidiaries and affiliated entities are deemed to be controlled by Michael G. Barnes who beneficially owns a majority of Tiptree Inc.

¹⁶Corvid Peak Capital Management, LLC is a Securities and Exchange Commission registered investment advisor. It manages assets for the Company in accordance with an affiliated Investment Advisory Agreement.

Agreements with Affiliates

The Company has no employees and receives all personnel, equipment and facilities from affiliates under various affiliated agreements. The following is a summary of the Company's significant affiliated agreements in-force as of December 31, 2021:

Administrative Services Agreement

Effective April 1, 2017, the Company entered into an Administrative Services Agreement with LOTSolutions, Inc. (LOTSolutions), whereby LOTSolutions performs administrative services for the Company.

Master Asset Transfer Agreement

Effective October 1, 2020, as Amended October 2, 2020, the Company entered into a Master Asset Transfer Agreement with LSIC, ICOTS, Life of the South Insurance Company, Southern Financial Life Insurance Company, FSIC and Fortegra Indemnity Insurance Company,

whereby the parties to the agreement may transfer assets to each other from time to time subject to specific provisions outlined in the agreement including regulatory approval when required.

Amended & Restated Tax Sharing Agreement

Effective January 1, 2021 (with a stated effective date of April 28, 2021), the Company entered into an Amended & Restated Tax Sharing Agreement with Tiptree and various Tiptree subsidiaries. In accordance with the agreement, the parties to the agreement agreed to file a consolidated federal income tax return. The Amended & Restated Tax Sharing Agreement sets forth the methodology and procedures for allocating the consolidated Federal Income Tax Liability (or Benefit) among the affiliates in a fair and equitable manner.

Investment Advisory Agreement

Effective May 3, 2021, the Company entered into an Investment Advisory Agreement with Fortegra Group, various Fortegra Group subsidiaries, and Corvid Peak Capital Management, LLC (Corvid Peak), whereby Corvid Peak will manage certain assets of the parties to the agreement.

Loan Agreement

On December 5, 2012, the Company entered into a Loan Agreement with Fortegra Financial, whereby the Company agreed to lend an aggregate principal amount of \$3,300,000 to Fortegra Financial. The term of the note was ten years with an interest rate of 6.25%. The Loan Agreement was approved by the Department on April 17, 2013. While the agreement has been signed and approved, no money has been transferred.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2021, the Company was licensed in the states of Connecticut, Delaware, Maryland, New York, Pennsylvania, Virginia and Wisconsin. The primary lines of business written are auto (both private passenger liability and private passenger physical damage)

and credit insurance products. In addition to its direct writings the Company assumes business under a pooling arrangement with several affiliates.

The Company's products are marketed and sold by agents and distribution partners consisting of a network of independent insurance agents, retailers, brokers and managing general agencies (MGA). The Company's partners that market and sell service contracts, collateral protection and credit insurance include financial services companies, big-box retailers, furniture stores, automobile dealerships, regional cellular service providers and mobile device service providers. The service contract offerings are primarily marketed and sourced through insurance intermediaries including third-party administrators, insurance brokers, MGAs and agents.

A significant portion of the Company's distribution partners of credit and service contract insurance products have captive reinsurance companies to assume the insurance risk on the products they deliver. These captive reinsurance companies are known as producer owned reinsurance companies (PORCs) and in most instances each PORC assumes almost all of the underwriting risk associated with the insurance products they deliver. The Company generally acts in a fronting and administrative capacity on behalf of each PORC to provide underwriting and claims management services. In return, the Company receives an administration fee as compensation for expenses incurred related to underwriting and servicing the underlying policies.

REINSURANCE

The Company reported the following distribution of gross and net written premium for the year ended December 31, 2021, and the prior examination date of December 31, 2017:

Blue Ridge Indemnity Company

(All Amounts in Thousands)

	<u>2021</u>	% of Gross Written <u>Premium</u>	<u>2017</u>	% of Gross Written <u>Premium</u>
Direct Written Premium	\$ 23,608	74.2%	\$ 1,976	100%
Reinsurance assumed - affiliated - Pooling	8,196	25.8%	-	-
Reinsurance assumed - from non-affiliates	-	-	-	-
Gross written premium	<u>\$ 31,804</u>	<u>100%</u>	<u>\$ 1,976</u>	<u>100%</u>
Reinsurance ceded - affiliated - FIIC	\$ 8,064	25.4%	-	-
Reinsurance ceded - affiliated - Pooling	1,126	3.5%	-	-
Reinsurance ceded - to non-affiliates	11,922	37.5%	1,976	100%
Total ceded	<u>\$ 21,112</u>	<u>66.4%</u>	<u>\$ 1,976</u>	<u>100%</u>
Net premiums written	<u>\$ 10,692</u>	<u>33.6%</u>	<u>\$ -</u>	<u>-</u>

The Company assumes business from affiliates under a pooling arrangement with several United States based affiliates and cedes insurance risk under both affiliated and third-party reinsurance programs in accordance with its overall business and capital management strategy. The following is a discussion of the affiliated pooling arrangement followed by information on the Company's significant ceded reinsurance programs.

Pooling Agreement - Affiliated

Effective June 1, 2018, as amended January 1, 2021, the Company entered into a Reinsurance Pooling Agreement (Pooling Agreement) with LSIC, ICOTS, RICC and FSIC, whereby the companies pool all net risk that is not otherwise reinsured. The purpose of the Pooling Agreement is to smooth risk-based capital levels, enable more efficient use of the available surplus and reduce administrative costs associated with financial reporting. The Company participated as the lead entity in in the Pooling Agreement with respective percentage shares of the pooled business as of December 31, 2021, as follows:

<u>Company</u>	<u>NAIC Number</u>	<u>Share¹</u>
Lyndon Southern Insurance Company	10051	67%
Insurance Company of the South	11162	21%
Response Indemnity Company of California	10970	2%
Blue Ridge Indemnity Company	40754	2%
Fortegra Specialty Insurance Company	16823	8%

¹The percentages set forth above apply to all lines of insurance written by participating companies, except direct business written in Wisconsin by the Company.

The percentages above are applied to all lines of insurance written by the participating companies. Cessions by the participating companies to non-affiliated reinsurers are not subject to the pooling agreement. These amounts are ceded to non-affiliated reinsurers prior to any cession to the Company as the lead entity.

Ceded Reinsurance – Affiliated

Effective June 1, 2018, as amended June 6, 2019, the Company, LSIC and ICOTS entered into a Reinsurance Agreement with Fortegra Indemnity Insurance Company, Ltd. (FIIC). In accordance with the agreement the Company cedes 90% of its specified credit property net written premiums (excluding business written in the State of Wisconsin) to FIIC. Meanwhile, LSIC and ICOTS cede 95% and 90% of specified credit property net of premiums to FIIC, respectively. Effective July 1, 2019, the Company, LSIC and ICOTS entered into a Trust Agreement with FIIC and Fifth Third Bank, whereby a segregated trust account was established for the purpose of securing FIIC liabilities with respect to the business reinsured under the Reinsurance Agreement. Fifth Third Bank serves as the trustee for the Trust Agreement.

Ceded – Fronting for Non-Affiliates

Fronting Reinsurance Arrangements

These pro rata reinsurance arrangements are typically with other insurance companies affiliated with banks, auto dealers or financial institutions whereby the Company may cede up to

100% of the business written. The Company generally retains a fee for issuing policies and providing administrative services.

Producer Owned Reinsurance Companies (PORC)

A significant portion of the Company's distribution partners for its credit protection insurance products have created captive reinsurance companies to assume the insurance risk on the products they distribute. In most instances, each PORC assumes almost all of the underwriting risk associated with the insurance products they distribute. In these instances, the Company acts in a fronting and administrative capacity on behalf of each PORC, providing underwriting and claims management services. The insurance companies receive an administration fee that compensates them for their expenses associated with underwriting and servicing the underlying policies and provide them with stable margins for these services. The insurance companies generally require cash collateral to secure the reinsurance recoverable in the event that a PORC is unable to pay the claims it has assumed.

Ceded to Nonaffiliates

The Company is party to multiple unaffiliated reinsurance agreements whereby it cedes insurance risk to third parties on a quota share and excess of loss basis. Reinsurance is generally utilized on a program basis. With the exception of its Specialty Casualty and a few Nonstandard Auto programs, the Company generally utilizes quota share reinsurance for its various programs. The following is a summary of significant reinsurance arrangements inforce as of December 31, 2021:

Quota Share Reinsurance - The Company has quota share reinsurance agreements where the Company is named insurer for commercial coverage, ceding a portion of the risk with a sliding scale profit sharing arrangement to reinsurers.

Excess of Loss Reinsurance – The Company maintains catastrophe excess of loss reinsurance for the Non-Standard Auto Program and Commercial Property with limits of \$42,000,000 in excess of \$3,000,000 based on net retention. The Company also has other excess of loss reinsurance on certain programs.

FINANCIAL STATEMENTS

The financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2021
- Statement of Liabilities, Capital and Surplus as of December 31, 2021
- Statement of Income for the year ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2017 to December 31, 2021

Statement of Assets
As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 25,651,813	\$ -	\$ 25,651,813
Cash and cash equivalents	1,388,665	-	1,388,665
Short-term investments	150,113	-	150,113
Subtotals, cash and invested assets	<u>\$ 27,190,591</u>	<u>\$ -</u>	<u>\$ 27,190,591</u>
Investment income due and accrued	96,627	-	96,627
Premiums and considerations:			
Uncollected premiums, agents' balances in the course of collection	(83,047)	-	(83,047)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	375,185	-	375,185
Amounts recoverable from reinsurers	1,003,740	-	1,003,740
Net deferred tax asset	321,896	74,340	247,556
Receivable from parent, subsidiaries and affiliates	1,490,616	-	1,490,616
Aggregate write-ins for other than invested assets	9,474	9,474	-
Subtotal other assets	<u>\$ 3,214,491</u>	<u>\$ 83,814</u>	<u>\$ 3,130,677</u>
Total Assets	<u><u>\$ 30,405,082</u></u>	<u><u>\$ 83,814</u></u>	<u><u>\$ 30,321,268</u></u>

Statement of Liabilities, Capital and Surplus
As of December 31, 2021

		<u>Note</u>
Losses	\$ 3,041,309	1
Loss adjustment expenses	126,454	1
Commissions payable, contingent commissions and other similar charges	1,199,670	
Other expenses	48,094	
Taxes, licenses and fees	297,446	
Current federal and foreign income taxes	179,636	
Unearned premiums	6,904,667	
Ceded reinsurance premiums payable	2,160,241	
Funds held by company under reinsurance treaties	296,396	
Provision for reinsurance	152,150	
Capital notes	-	
Aggregate write ins for liabilities	(190)	
Total Liabilities	<u>\$ 14,405,873</u>	
Common capital stock	\$ 2,500,000	
Surplus notes	9,000,000	
Gross paid in and contributed surplus	12,302,394	
Unassigned funds (surplus)	<u>(7,886,999)</u>	
Surplus as regards policyholders	<u>\$ 15,915,395</u>	
Total Liabilities, Capital and Surplus	<u><u>\$ 30,321,268</u></u>	

Statement of Income
For the Year Ended December 31, 2021

Premiums earned	\$ 7,736,773
Losses incurred	\$ 3,497,283
Loss adjustment expenses incurred	195,743
Other underwriting expenses incurred	3,360,910
Aggregate write ins for underwriting deductions	-
Total underwriting deductions	<u>\$ 7,053,936</u>
Net underwriting gain (loss)	<u>\$ 682,837</u>
Net investment income earned	\$ (527,443)
Net realized capital gains (losses)	33,895
Net investment gain (loss)	<u>\$ (493,548)</u>
Net gain (loss) from agents' or premium balances charged off	\$ -
Finance and service charges not included in premiums	190
Aggregate write ins for miscellaneous income	(5,842)
Total other income	<u>\$ (5,653)</u>
Net income before dividends to policyholders	<u>\$ 183,636</u>
Dividends to policyholders	-
Net income after dividends to policyholders	<u>\$ 183,636</u>
Federal and foreign income taxes incurred	176,686
Net Income	<u><u>\$ 6,950</u></u>

Reconciliation of Capital and Surplus
for the Period from the Prior Examination
as of December 31, 2017 to December 31, 2021

	Common Capital Stock	Paid In & Contributed Surplus	Unassigned Funds (Surplus)	Surplus Notes	Total
Balance at December 31, 2017	\$ 2,500,000	\$ 12,302,394	\$ (8,044,248)	\$ -	\$ 6,758,146
2018 Net Income (Loss)	-	-	(127,040)	-	(127,040)
2018 Other Changes ¹	-	-	98,332	-	98,332
2018 Surplus Notes ²	-	-	-	9,000,000	9,000,000
Balance at December 31, 2018	<u>\$ 2,500,000</u>	<u>\$ 12,302,394</u>	<u>\$ (8,072,957)</u>	<u>\$ 9,000,000</u>	<u>\$ 15,729,437</u>
2019 Net Income (Loss)	-	-	13,553	-	13,553
2019 Other Changes ¹	-	-	36,518	-	36,518
Balance at December 31, 2019	<u>\$ 2,500,000</u>	<u>\$ 12,302,394</u>	<u>\$ (8,022,886)</u>	<u>\$ 9,000,000</u>	<u>\$ 15,779,508</u>
2020 Net Income (Loss)	-	-	156,187	-	156,187
2020 Other Changes ¹	-	-	(77,975)	-	(77,975)
Balance at December 31, 2020	<u>\$ 2,500,000</u>	<u>\$ 12,302,394</u>	<u>\$ (7,944,674)</u>	<u>\$ 9,000,000</u>	<u>\$ 15,857,720</u>
2021 Net Income (Loss)	-	-	6,950	-	6,950
2021 Other Changes ¹	-	-	50,725	-	50,725
Balance at December 31, 2021	<u>\$ 2,500,000</u>	<u>\$ 12,302,394</u>	<u>\$ (7,886,999)</u>	<u>\$ 9,000,000</u>	<u>\$ 15,915,395</u>

¹Other Changes in Unassigned Funds (Surplus) for each year may include: change in net deferred income tax; change in nonadmitted assets; and change in provision for reinsurance.

²On July 17, 2018, the Company issued a \$9 million surplus note to LOTS Intermediate in exchange for cash.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Company's reported financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$ 3,041,309
Loss Adjustment Expenses	126,454

The examination liability for the aforementioned captioned items of \$3,041,309 and \$126,454 are the same as reported by the Company as of December 31, 2021. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with *Actuarial Principles and Standards of Practice* and Statutory Accounting Principles, including the *NAIC Accounting Practices and Procedures Manual, SSAP No. 55 – Unpaid Claims, Losses and Loss Adjustment Expenses*.

SUBSEQUENT EVENTS

Subsequent events were evaluated through the date this examination report was available to be issued. Based on this evaluation, the following significant transactions or events were deemed material for disclosure in this examination report.

Warburg Pincus Investment

On June 21, 2022, Warburg Pincus made a \$200 million strategic investment in Fortegra Group. The investment gave Warburg Pincus an approximately 24% ownership in Fortegra Group on an as-converted basis.

No other significant subsequent events were noted.

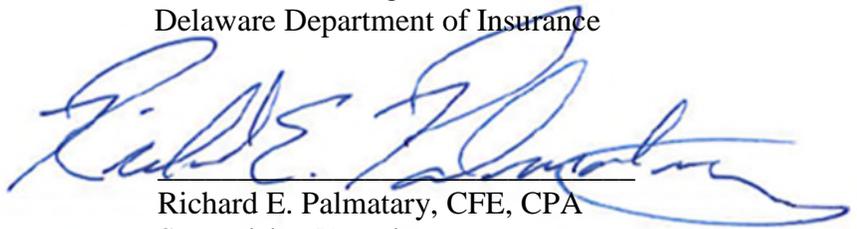
SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

The assistance of the Department's Consulting Actuary, INS Consultants, Inc. and consulting information technology firm, INS Services, Inc. is acknowledged. In addition, the assistance and cooperation of the Company's external audit firm, Deloitte, and the Company's management and staff is appreciated and acknowledged.



Hails Taylor, CFE
Examiner In-Charge
Delaware Department of Insurance



Richard E. Palmatary, CFE, CPA
Supervising Examiner
Delaware Department of Insurance

I, Hails Taylor, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 22.022.



Hails Taylor, CFE